

THE IMPACT OF INFLATION ON THE OFFICE OF MEDICAL SERVICES

*Background*  
I. Problem

a. The problem is to assess the impact of inflation on the Office of Medical Services over the period FY 1967 - FY 1974, and to estimate the impact of continued or future inflation.

~~II.~~ Background

b. Attached is a tabulation of Obligations, Current and Constant Dollars for the OMS, with an added column showing the number of OMS personnel paid each year in the series. *also attached is a graph of the tabulation.* Since FY 1970 the OMS authorized (staff) personnel ceiling has been reduced each year. Personnel compensation rates, supergrade personnel excepted, have been increased steadily over this period.

~~III.~~ Discussion

a. OMS, as an office, has not been seriously directly affected by inflation except in one area, the area of physician recruitment. Our ability to attract physicians has been somewhat compromised as the incomes of physicians in the private sector have forged ahead of salaries of Government physicians. For example, whereas salaries of our medical officers may not exceed \$36,000, the median salary for general practitioners in the United States is

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\$46,750, and salaries for emergency room physicians are well over \$50,000 (Medical Economics, November 1974).

INSERT

a. There has however been an indirect impact of inflation

INSERT

b. The impact of inflation has been recognized by the US military services. In October 1974 the pay and special allowances for military medical officers were substantially increased (Executive Order 11812) so that the compensation, particularly in the higher grades, greatly exceeds the compensation of their civilian counterparts in the Federal Government.

c. Recent serious shortages of physicians in the Veterans Administration have led to the submission in January 1975 of a bill (HR 1545) which, if enacted, will provide a flat 25% increase in VA medical officer salaries.

#### IV. Current Guidelines and Practices

f. There is currently no provision of course for compensating for inflation in our budget requests. Our current practice in physician recruitment, when we cannot meet the salary demands of an applicant, is to seek out another applicant

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in the hope that whatever advantages Agency employment may offer will attract a physician despite our inability to compete with salaries in the private sector.

V. Alternatives

g. In the area of physician recruitment no alternative to our present procedures is apparent. Over the long run, Federal salaries for physicians must, in our judgment, be raised if competent physicians are to be attracted and retained.

h. With regard to not being able to accept apparently genuine new requirements because of personnel/funds limitations, a theoretical alternative might be the adoption of a policy whereby the requester of such <sup>assistance</sup> requirements involving significant additional resources be required to provide for or in some way pay directly for the costs of undertaking the requirements. This however would amount to shifting the burden and would not be an economically rational solution for the Agency as a whole. It would also be inconsistent with our traditional service philosophy.

VI. Conclusions and Recommendations

a. The direct impact of inflation on the OMS has not been serious. Over the long run, however, we are concerned about the implications of inflation on (1) physician recruitment, and (2) program development.

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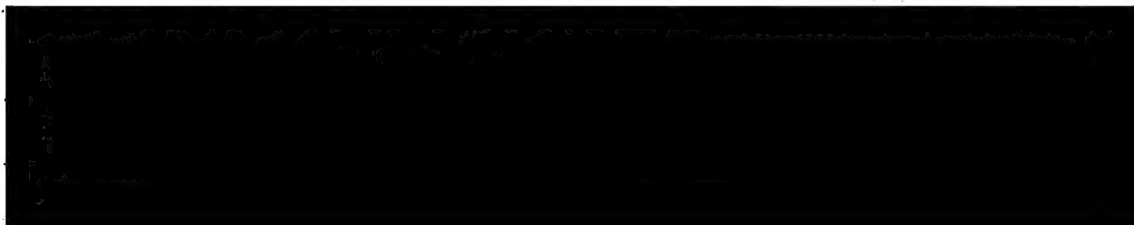
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b. Our recommendations are:

(1) The Agency make appropriate representation, along with other Federal agencies, toward increasing the salaries of Federal physicians.

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Attachments


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Addition re Discussion  
(Probably after para 1.)

b. The impact of inflation was recognized by the uniformed services who substantially increased military pay <sup>and allowances</sup> for physicians in Oct 1974 (Executive Order 11812) so that they now <sup>substantially</sup> exceed ~~the~~ the benefits of their civilian counterparts particularly at the higher grades. <sup>Recent</sup> Serious shortages of physicians in the U.S. have led to the initiation of H.R. 1545 (Jan 1975) which if enacted provides for a flat 25% increase in physician salaries.

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<b>Remarks:</b> <p>This is the <u>ONS Inflation</u> paper. We shall, as requested, re-paraphrase it according to recently-agreed format. Are there any other changes, deletions, additions, etc? w.</p> <p>I would like to see included a reference to the new &amp; higher pay scales for military physicians; and a reference to current V.A. attempts to increase pay scale of V.A. physicians.</p>			
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